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Profit Report

Detailed Cost-of-Doing Business Data

For D-I-Y Lumber Outlets

1989

NRHA
National
Retail Hardware
Association

HCI
home center
institute

Price:

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Introduction

The **National Retail Hardware Association** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies which are available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for DIY lumber outlets.

THE PROFIT REPORT
The 1989 Profit Report outlines financial operating data for retail oriented lumber and building materials dealers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The report is designed to:

- Assess financial performance of retail lumber/building materials operations in 1988.
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards.
- Provide a benchmark for profit planning enabling lumber/building materials retailers to improve performance levels on a continuing basis.

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail lumber/building materials industry.

Four Major Sections
The Profit Report is divided into four major sections: Historical Trends from 1984 through 1988; The Strategic Profit Model; Average Operating Results for 1988; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet data for 1988 and the four previous Profit Reports, 1984-1987. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Outlet
A variety of factors influence the cost of doing business for any lumber/building materials outlet. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:
- All Outlets
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Outlet Location
- Geographical Region
- Number of Stores
- Outlet Orientation

Methodology
The Profit Report is made possible only through the cooperation of the lumber/building materials operators who provide NRHA with detailed financial information on their individual stores. Questionnaires were mailed in March, 1989 and two hundred and eighty-two useable returns were received by May 15, 1989 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing lumber/building materials operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1989 Profit Report may be obtained from your regional hardware association or the National Retail Hardware Association, 770 N. High School Road, Indianapolis, Indiana 46214 or phone (317) 248-1261.

Historical Trends

All DIY Lumber Outlets
FISCAL YEAR

Income Statement Data	1988	1987	1986	1985	1984
Net Sales Volume	$2,838,950	$2,776,269	$1,993,028	$2,069,693	$1,680,266
Gross Sales	103.77%	102.24%	102.41%	102.03%	101.87%
Less: Total Deductions	3.77	2.24	2.41	2.03	1.87
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.09	75.19	74.31	74.50	74.37
Margin Before Purchase Rebate or Patronage Dividend	24.91	24.81	25.69	25.50	25.63
Purchase Rebate or Patronage Dividend	.15	.11	.14	.14	.14
Margin After Purchase Rebate or Patronage Dividend	25.06	24.92	25.83	25.64	25.77
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	2.65	2.66	2.87	2.98	3.84
Salaries/Wages -- Other Employees	9.22	8.94	9.57	9.08	8.23
Federal and State Payroll Taxes	.94	1.02	1.08	.96	1.01
Group Insurance	.54	.38	.44	.46	.56
Benefit Plans	.46	.71	.68	.51	.47
Total Payroll and Other Employee Expense	13.81	13.71	14.65	13.99	14.11
Occupancy Expense					
Heat, Light, Power, Water	.34	.37	.48	.40	.45
Building Repairs and Maintenance	.26	.27	.22	.11	.34
Rent or Ownership in Real Estate*	1.43	1.47	1.58	1.83	1.89
Total Occupancy Expense	2.04	2.12	2.28	2.34	2.68
Other Costs of Doing Business					
Advertising and Promotion	.89	.88	1.09	.95	.79
Insurance (Other than Real Estate and Group)	.83	.72	.64	.60	.48
Taxes (Other than Real Estate and Payroll)	.29	.32	.34	.30	.29
Interest (Other than Real Estate)	1.07	.88	.96	.90	1.13
Depreciation (Other than Real Estate)	.81	.74	.72	.70	.67
All Other Expenses	3.75	3.73	3.56	4.48	3.60
Total Other Costs of Doing Business	7.64	7.26	7.31	7.93	6.96
Total Operating Expenses	23.48	23.09	24.24	24.26	23.75
Operating Profit or Loss	1.58	1.83	1.60	1.38	2.02
Other Income	1.43	2.05	1.71	1.81	1.58
Net Operating Profit or Loss (Before Income Taxes)	3.01	3.88	3.31	3.19	3.60
Financial Performance					
Profit on Investment	14.85%	19.20%	15.60%	14.78%	15.99%
Active Owner's Return	27.89%	32.38%	29.15%	28.57%	33.01%
Current Asset Ratio	2.49x	2.57x	2.96x	2.51x	2.62x
Quick Asset Ratio	1.28x	1.31x	1.42x	1.23x	1.27x
Total Debt to Tangible Net Worth	99.72%	90.25%	82.93%	80.57%	83.96%
Stock Turn Times	5.24x	5.30x	4.73x	5.05x	4.56x
Sales to Inventory Ratio	6.98x	7.05x	6.36x	6.77x	6.13x
Average Inventory per Sq. Ft. Sales Area	$76.01	$69.86	$56.57	$93.23	$83.66
Net Sales to Accounts Receivable	8.44x	8.78x	10.70x	9.39x	9.27x
Net Sales to Total Assets	2.47x	2.60x	2.58x	2.56x	2.41x
Net Sales to Net Worth	4.93x	4.95x	4.72x	4.62x	4.44x
Net Sales to Net Working Capital	5.34x	3.57x	3.41x	5.68x	5.03x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	78.91%	75.53%	71.16%	69.95%	76.14%
Consumer Sales -- % of Total Gross Sales	21.09%	34.97%	40.61%	45.49%	54.36%
Selling Area -- Square Feet	5,367	5,650	5,341	4,273	4,208
Sales Per Square Foot -- Selling Area	$536.15	$424.96	$347.23	$448.70	$409.61
Total Area -- Square Feet	24,983	22,941	20,243	16,321	17,598
Sales Per Square Foot -- Total Area	$115.11	$102.51	$87.28	$138.17	$85.39
Sales Per Person Employed	$172,243	$165,055	$144,238	$131,436	$138,073
Sales Per Customer	$82.06	$58.14	$59.22	$87.52	$67.78

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	8.2%	6.2%	5.4%	7.8%	9.6%	$163.08	$153.92	$129.61	$136.03	$138.64
Hand Tools	2.5	2.1	1.7	2.4	2.0	144.01	114.52	126.80	126.86	143.07
Power Tools & Accessories	2.1	2.2	1.4	1.5	1.7	169.82	129.51	139.12	157.69	144.61
Plumbing, Heating & Cooling	3.6	2.1	2.4	3.8	5.0	148.83	155.44	131.30	156.64	198.75
Electrical Supplies	2.3	2.3	1.6	2.4	3.4	137.01	146.02	138.15	149.06	177.62
Paint & Home Decorating	6.2	5.8	5.6	6.2	5.9	204.00	173.02	136.64	172.86	174.12
Lumber	35.6	44.9	39.7	34.5	32.6	997.80	1,113.03	1,237.46	986.83	769.24
Building Materials	32.0	25.4	38.3	31.4	33.3	775.08	505.66	833.91	719.64	606.85
Lawn & Garden	1.7	1.3	1.0	1.6	1.3	198.24	186.86	172.61	130.32	175.27
Housewares	.4	.2	.3	.4	.6	121.38	75.25	94.52	95.61	92.33
Automotive Supplies	.2	.1	.1	.1	.1	130.66	137.83	98.65	98.13	133.28
Major Appliances & Home Entertainment	.2	.9	.1	.5	1.0	136.23	284.40	81.24	116.51	65.30
Sporting Goods & Outdoor Living	.3	.1	.1	.8	.2	148.29	149.92	NA	NA	97.67
Miscellaneous Goods	4.6	6.5	2.3	6.6	3.3	473.71	1,099.17	207.68	161.27	173.25

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	5.6x	5.1x	4.3x	3.8x	3.4x	$2.22	$1.90	$1.66	$1.43	$1.13
Hand Tools	5.3	5.0	4.2	4.1	4.0	1.95	1.73	1.48	1.44	1.22
Power Tools & Accessories	3.7	4.9	3.7	4.1	3.8	.99	1.48	1.19	1.28	.94
Plumbing, Heating & Cooling	5.4	3.8	3.5	3.9	4.1	2.12	1.32	1.24	1.32	1.24
Electrical Supplies	5.2	4.7	4.0	3.7	5.2	2.02	1.64	1.49	1.32	1.72
Paint & Home Decorating	5.1	4.7	4.4	4.2	4.5	1.89	1.65	1.52	1.45	1.34
Lumber	7.9	6.5	8.8	7.3	6.5	2.01	1.61	2.05	1.73	1.56
Building Materials	8.1	6.5	8.2	7.5	7.1	2.17	1.71	2.21	1.98	1.98
Lawn & Garden	5.7	5.4	5.0	4.9	5.0	1.91	1.67	1.58	1.64	1.33
Housewares	3.5	3.1	2.0	3.7	2.3	1.24	1.04	.56	1.21	.52
Automotive Supplies	6.8	3.8	5.1	3.0	2.3	2.48	1.34	1.37	.87	.68
Major Appliances & Home Entertainment	1.7	5.3	3.0	4.7	2.6	.54	.90	.39	.96	.69
Sporting Goods & Outdoor Living	6.4	7.2	2.9	NA	2.6	2.08	2.37	.91	NA	.73
Miscellaneous Goods	6.3	7.0	8.8	6.3	8.0	1.90	2.14	2.78	1.76	2.16

* Average DIY Lumber Outlet

Monthly Sales

Month	1988	1987	1986	1985	1984
January	5.4%	5.9%	5.7%	6.2%	6.1%
February	5.8	6.0	5.1	5.6	5.8
March	7.3	7.0	6.3	7.0	6.7
April	8.4	8.3	8.3	8.8	8.2
May	9.4	9.0	9.5	9.8	9.9
June	10.3	10.1	9.3	9.4	10.1
July	9.7	10.3	10.1	9.3	9.2
August	9.7	9.8	10.0	9.2	9.1
September	9.4	9.7	10.1	8.5	8.5
October	9.2	9.4	10.3	9.0	8.8
November	8.1	7.7	8.2	8.4	8.5
December	7.3	6.8	7.1	8.8	9.1

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

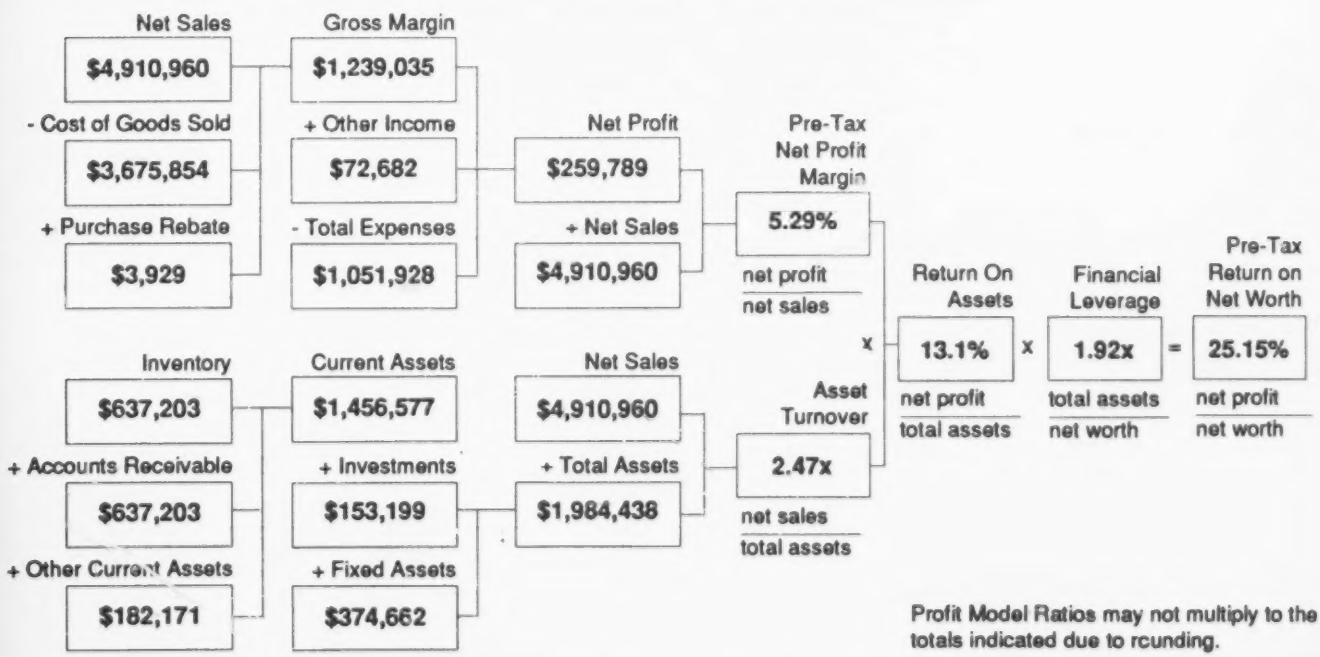
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner/supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Lumber Outlets



Profit Model Ratios may not multiply to the totals indicated due to rounding.

1988 Highlights

Type Of DIY Lumber Outlet	1988 Net Sales ($)	Sales Increase Over 1987* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All DIY Lumber Outlets	2,838,950	+5.31	25.06	3.01	14.85	5.24
Low Profit	2,143,858	-.69	24.00	-1.01	-5.67	4.96
High Profit	4,910,960	+7.98	25.23	5.29	25.12	5.96
Sales Volume Size						
Under $1,000,000	697,549	+6.88	28.13	3.20	14.11	3.19
$1,000,000 to $1,999,999	1,451,933	+2.21	26.07	3.10	12.36	4.25
$2,000,000 or more	4,494,055	+5.82	24.68	2.99	15.58	5.70
Sales Floor Size						
Under 3,000 Sq. Ft.	2,056,704	+7.76	24.13	2.78	14.22	5.46
3,000 to 4,999 Sq. Ft.	2,922,257	+4.34	25.19	4.46	23.35	5.41
5,000 Sq. Ft. or more	3,212,691	+6.58	25.32	2.32	10.88	5.19
Trade Area Size						
M.S.A. - Central City	4,101,240	+5.01	23.60	1.44	9.01	5.39
M.S.A. - Suburban	2,907,404	+1.31	26.79	2.51	11.10	4.92
Cities - 10,000 to 50,000	2,896,052	+2.10	24.46	3.23	15.26	5.69
Towns Under 10,000	2,626,361	+7.76	25.59	3.37	16.28	5.05
Outlet Location: Part I						
Downtown	2,573,362	+1.13	24.36	2.22	10.54	5.50
Suburban	3,156,823	+6.62	25.37	3.23	15.89	5.18
Rural	2,549,649	+7.30	25.11	3.50	18.56	5.06
Outlet Location: Part II						
Shopping Centers	3,022,586	-.35	24.98	1.31	8.80	4.62
Free-Standing -- No Stores Adjacent	2,957,980	+5.05	24.49	2.75	14.10	5.22
Free-Standing -- Stores Nearby	2,701,616	+6.82	25.64	3.68	16.81	5.33
Number of Outlets						
Single Store	2,717,419	+4.79	25.02	2.74	13.79	5.30
Multiple Stores	2,215,903	+6.51	25.19	3.71	17.46	5.09
Outlet Orientation						
Contractor-Oriented	3,606,240	+4.98	24.70	2.94	15.33	5.63
Consumer-Oriented	1,439,189	+7.14	27.02	3.60	13.93	3.92

* As reported by Profit Report contributors.

1988 Monthly Sales

	%
January	5.4
February	5.8
March	7.3
April	8.4
May	9.4
June	10.3
July	9.7
August	9.7
September	9.4
October	9.2
November	8.1
December	7.3

All Outlets

Income Statement Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Stores	282	70	70
Net Sales Volume	$2,838,950	$2,143,858	$4,910,960
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+5.31%	-.69%	+7.98%
Gross Sales	103.77%	102.63%	105.02%
Less: Total Deductions	3.77	2.63	5.02
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.09	76.11	74.85
Margin Before Purchase Rebate or Patronage Dividend	24.91	23.89	25.15
Purchase Rebate or Patronage Dividend	.15	.12	.08
Margin After Purchase Rebate or Patronage Dividend	25.06	24.00	25.23
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.65	3.31	2.17
Salaries/Wages -- Other Employees	9.22	9.44	8.69
Federal and State Payroll Taxes	.94	1.05	.84
Group Insurance	.54	.65	.46
Benefit Plans	.46	.51	.46
Total Payroll and Other Employee Expense	13.81	14.97	12.62
Occupancy Expense			
Heat, Light, Power, Water	.34	.38	.28
Building Repairs and Maintenance	.26	.20	.29
Rent or Ownership in Real Estate**	1.43	1.83	1.15
Total Occupancy Expense	2.04	2.41	1.72
Other Costs of Doing Business			
Office Supplies and Postage	.39	.36	.39
Advertising and Promotion	.89	1.13	.72
Donations	.06	.02	.06
Telephone and Telegraph	.23	.28	.19
Bad Debts	.45	.55	.42
Credit Card Expense (Bank Charges)	.03	.04	.02
Delivery (Other than Wages)	.75	.78	.78
Leasing Expenses (Non-Occupancy)	.07	.09	.05
Insurance (Other than Real Estate and Group)	.83	.79	.85
Taxes (Other than Real Estate and Payroll)	.29	.25	.28
Interest (Other than Real Estate)	1.07	1.52	.96
Depreciation (Other than Real Estate)	.81	.96	.78
Store and Shop Supplies	.16	.15	.18
Legal and Accounting	.29	.31	.26
Computer Services and Expenses (Other than Wages)	.14	.16	.12
Dues and Subscriptions	.06	.07	.05
Travel and Entertainment	.15	.17	.11
Miscellaneous Services (Laundry, Disposal, Etc.)	.08	.14	.07
Unclassified Expenses	.90	1.13	.80
Total Other Costs of Doing Business	7.64	8.92	7.08
Total Operating Expenses	23.48	26.29	21.42
Operating Profit or Loss	1.58	-2.29	3.81
Other Income	1.43	1.28	1.48
Net Operating Profit or Loss (Before Income Taxes)	3.01	-1.01	5.29

* As reported to us by Profit Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Outlets

Balance Sheet Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$1,150,483	$885,798	$1,984,438
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.97	3.01	5.02
Notes and Installment Contracts Receivable	2.04	.84	2.83
Accounts Receivable	29.25	28.65	32.11
Merchandise Inventory (End of Year)	36.10	37.12	32.11
Other Current Assets	2.09	4.31	1.33
Total Current Assets	74.45	73.95	73.40
Stocks and Bonds	1.60	1.20	1.64
Real Estate (Not Used In Business)	.73	1.24	.56
Other Investments	4.45	2.91	5.51
Total Investments	6.78	5.36	7.72
Land (Owned and Used In Business)	3.02	4.27	2.79
Buildings (Owned & Used In Business Less Depreciation)	6.36	6.29	6.20
Leasehold Improvements (Less Amortization Allowance)	.96	1.74	.68
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	4.78	5.24	5.31
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.43	2.12	2.59
Other Fixed Assets	1.20	1.03	1.31
Total Fixed Assets	18.76	20.70	18.88
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.95	12.79	12.42
Current Portion of Notes Payable	10.64	12.67	11.02
Accrued Payroll Taxes	.55	.34	.57
Accrued Other Taxes	1.07	.57	1.31
Other Accrued Expenses	2.32	1.86	1.49
Other Current Liabilities	2.41	3.38	2.14
Total Current Liabilities	29.93	31.61	28.95
Notes Due Partners/Officers	2.17	3.36	.49
Mortgage Payable	1.60	3.72	.63
Long Term Debt	12.73	9.11	15.79
Other Long Term Liabilities	3.51	9.23	2.02
Total Long Term Liabilities	20.00	25.42	18.93
Total Liabilities	49.93	57.03	47.87
Net Worth	50.07	42.97	52.13
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	14.85%	-5.67%	25.12%
Active Owner's Return	27.89%	12.98%	35.34%
Current Asset Ratio	2.49x	2.34x	2.54x
Quick Asset Ratio	1.28x	1.16x	1.43x
Total Debt to Tangible Net Worth	99.72%	132.73%	91.84%
Stock Turn Times	5.24x	4.96x	5.96x
Sales to Inventory Ratio	6.98x	6.52x	7.96x
Average Inventory per Square Foot Sales Area	$76.01	$69.17	$92.19
Net Sales to Accounts Receivable	8.44x	8.45x	7.71x
Net Sales to Total Assets	2.47x	2.42x	2.47x
Net Sales to Net Worth	4.93x	5.63x	4.75x
Net Sales to Net Working Capital	5.54x	5.72x	5.57x

Other Operating Data

Credit Sales -- % of Total Gross Sales	78.91%	76.39%	86.94%
Consumer Sales -- % of Total Gross Sales	21.09%	23.61%	13.06%
Selling Area -- Square Feet	5,367	4,763	6,615
Sales Per Square Foot -- Selling Area	$536.15	$452.44	$746.02
Total Area -- Square Feet	24,981	21,444	32,743
Sales Per Square Foot -- Total Area	$115.11	$101.80	$153.15
Sales Per Person Employed	$172,243	$153,788	$194,399
Sales Per Customer	$82.06	$81.91	$130.38

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to total indicated due to rounding.

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Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	51	88	133
Net Sales Volume	$697,549	$1,451,933	$4,494,055
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+6.88%	+2.21%	+5.82%
Gross Sales	101.71%	101.77%	104.30%
Less: Total Deductions	1.71	1.77	4.30
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.48	74.19	75.42
Margin Before Purchase Rebate or Patronage Dividend	27.52	25.81	24.58
Purchase Rebate or Patronage Dividend	.61	.26	.11
Margin After Purchase Rebate or Patronage Dividend	28.13	26.07	24.68
Payroll and Other Employee Expenses			
Salaries — Owners/Officers/Managers	3.00	2.69	2.62
Salaries/Wages — Other Employees	9.37	9.68	9.11
Federal and State Payroll Taxes	.98	.99	.92
Group Insurance	.52	.59	.53
Benefit Plans	.38	.41	.48
Total Payroll and Other Employee Expense	14.26	14.36	13.67
Occupancy Expense			
Heat, Light, Power, Water	.70	.47	.30
Building Repairs and Maintenance	.36	.20	.27
Rent or Ownership in Real Estate **	2.65	1.66	1.31
Total Occupancy Expense	3.71	2.33	1.88
Other Costs of Doing Business			
Office Supplies and Postage	.49	.40	.38
Advertising and Promotion	1.25	.89	.87
Donations	.04	.05	.07
Telephone and Telegraph	.32	.27	.21
Bad Debts	.24	.70	.41
Credit Card Expense (Bank Charges)	.09	.04	.03
Delivery (Other than Wages)	.68	.87	.72
Leasing Expenses (Non-Occupancy)	.14	.07	.07
Insurance (Other than Real Estate and Payroll)	.90	.85	.82
Taxes (Other than Real Estate and Payroll)	.57	.38	.26
Interest (Other than Real Estate)	1.31	1.02	1.06
Depreciation (Other than Real Estate)	.92	.81	.80
Store and Shop Deliveries	.29	.17	.15
Legal and Accounting	.44	.30	.28
Computer Services and Expenses (Other than Wages)	.08	.12	.15
Dues and Subscriptions	.08	.06	.06
Travel and Entertainment	.13	.16	.15
Miscellaneous Services (Laundry, Disposal, Etc.)	.04	.09	.08
Unclassified Expenses	.70	.63	.97
Total Other Costs of Doing Business	8.71	7.87	7.53
Total Operating Expenses	26.68	24.56	23.08
Operating Profit or Loss	1.45	1.51	1.60
Other Income	1.76	1.58	1.39
Net Operating Profit or Loss (Before Income Taxes)	3.20	3.10	2.99

* As reported to us by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$337,458	$632,864	$1,773,082
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.33	7.99	4.33
Notes and Installment Contracts Receivable	1.65	2.80	1.90
Accounts Receivable	16.53	22.52	31.54
Merchandise Inventory (End of Year)	48.45	41.12	34.11
Other Current Assets	3.00	1.83	2.08
Total Current Assets	73.96	76.26	74.07
Stocks and Bonds	2.02	1.87	1.51
Real Estate (Not Used In Business)	.48	.53	.80
Other Investments	3.78	3.01	4.82
Total Investments	6.29	5.41	7.13
Land (Owned and Used In Business)	3.98	3.58	2.83
Buildings (Owned & Used In Business Less Depreciation)	7.66	5.87	6.39
Leasehold Improvements (Less Amortization Allowance)	1.03	1.20	.90
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	4.39	3.81	5.03
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.48	2.17	2.49
Other Fixed Assets	.21	1.70	1.16
Total Fixed Assets	19.75	18.33	18.79
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.77	11.84	13.35
Current Portion of Notes Payable	7.31	6.81	11.75
Accrued Payroll Taxes	.71	.58	.53
Accrued Other Taxes	1.16	.76	1.13
Other Accrued Expenses	.54	1.66	2.59
Other Current Liabilities	.49	1.49	2.75
Total Current Liabilities	20.97	23.15	32.09
Notes Due Partners/Officers	5.16	4.31	1.47
Mortgage Payable	6.73	2.40	1.06
Long Term Debt	16.29	10.99	12.89
Other Long Term Liabilities	3.94	1.66	3.91
Total Long Term Liabilities	32.12	19.36	19.33
Total Liabilities	53.09	42.51	51.42
Net Worth	46.91	57.49	48.58
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	14.11%	12.36%	15.58%
Active Owner's Return	27.32%	23.09%	29.24%
Current Asset Ratio	3.53x	3.29x	2.31x
Quick Asset Ratio	1.22x	1.52x	1.25x
Total Debt to Tangible Net Worth	113.19%	73.95%	105.86%
Stock Turn Times	3.19x	4.25x	5.70x
Sales to Inventory Ratio	4.40x	5.73x	7.56x
Average Inventory per Square Foot Sales Area	$38.93	$50.54	$97.72
Net Sales to Accounts Receivable	12.50x	10.19x	8.01x
Net Sales to Total Assets	2.07x	2.29x	2.53x
Net Sales to Net Worth	4.41x	3.99x	5.22x
Net Sales to Net Working Capital	3.90x	4.32x	6.04x

Other Operating Data

Credit Sales -- % of Total Gross Sales	46.35%	73.08%	81.09%
Consumer Sales -- % of Total Gross Sales	53.65%	26.92%	18.91%
Selling Area -- Square Feet	4,075	4,996	6,067
Sales Per Square Foot -- Selling Area	$171.19	$292.24	$746.49
Total Area -- Square Feet	16,793	16,890	32,817
Sales Per Square Foot -- Total Area	$41.86	$87.11	$137.73
Sales Per Person Employed	$105,939	$150,223	$183,973
Sales Per Customer	$14.81	$46.18	$147.50

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Number of Outlets	36	56	159
Net Sales Volume	$2,056,704	$2,922,257	$3,212,691
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+7.76%	+4.34%	+6.58%
Gross Sales	102.59%	10+6.53%	102.47%
Less: Total Deductions	2.92	6.53	2.47
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.96	74.90	74.89
Margin Before Purchase Rebate or Patronage Dividend	24.04	25.10	25.11
Purchase Rebate or Patronage Dividend	.09	.08	.21
Margin After Purchase Rebate or Patronage Dividend	24.13	25.19	25.32
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.37	2.85	2.66
Salaries/Wages -- Other Employees	9.58	8.39	9.57
Federal and State Payroll Taxes	.90	.82	1.00
Group Insurance	.62	.55	.51
Benefit Plans	.45	.47	.46
Total Payroll and Other Employee Expense	13.93	13.08	14.20
Occupancy Expense			
Heat, Light, Power, Water	.29	.30	.38
Building Repairs and Maintenance	.18	.22	.32
Rent or Ownership in Real Estate**	1.58	1.16	1.57
Total Occupancy Expense	2.05	1.69	2.27
Other Costs of Doing Business			
Office Supplies and Postage	.37	.37	.41
Advertising and Promotion	.63	.77	1.06
Donations	.05	.04	.08
Telephone and Telegraph	.21	.20	.25
Bad Debts	.43	.32	.49
Credit Card Expense (Bank Charges)	.03	.03	.04
Delivery (Other than Wages)	.83	.80	.68
Leasing Expenses (Non-Occupancy)	.18	.04	.03
Insurance (Other than Real Estate and Group)	.85	.87	.80
Taxes (Other than Real Estate and Payroll)	.33	.30	.24
Interest (Other than Real Estate)	.81	1.24	1.02
Depreciation (Other than Real Estate)	.80	.92	.78
Store and Shop Supplies	.10	.15	.14
Legal and Accounting	.34	.27	.29
Computer Services and Expenses (Other than Wages)	.14	.18	.12
Dues and Subscriptions	.06	.05	.06
Travel and Entertainment	.12	.09	.18
Miscellaneous Services (Laundry, Disposal, Etc.)	.04	.10	.08
Unclassified Expenses	.73	.68	1.09
Total Other Costs of Doing Business	7.05	7.42	7.86
Total Operating Expenses	23.03	22.19	24.33
Operating Profit or Loss	1.10	3.00	.98
Other Income	1.68	1.46	1.34
Net Operating Profit or Loss (Before Income Taxes)	2.78	4.46	2.32

* As reported to us by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$731,780	$1,168,765	$1,358,037
Assets		% of Total Assets	
Cash On Hand and In Bank	7.76	4.21	4.81
Notes and Installment Contracts Receivable	1.35	2.76	1.91
Accounts Receivable	29.14	27.51	30.04
Merchandise Inventory (End of Year)	39.82	35.35	34.92
Other Current Assets	2.05	1.68	2.31
Total Current Assets	80.12	71.50	73.99
Stocks and Bonds	.47	2.34	1.53
Real Estate (Not Used In Business)	.03	1.49	.56
Other Investments	4.90	4.72	4.48
Total Investments	5.40	7.54	6.58
Land (Owned and Used In Business)	2.74	4.03	2.59
Buildings (Owned and Used In Business Less Depreciation)	3.28	6.44	7.37
Leasehold Improvements (Less Amortization Allowance)	.62	1.39	.88
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	5.40	4.72	4.97
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.38	3.49	2.00
Other Fixed Assets	.05	.90	1.63
Total Fixed Assets	14.48	20.96	19.43
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.80	12.64	13.41
Current Portion of Notes Payable	9.13	9.54	12.02
Accrued Payroll Taxes	.50	.41	.65
Accrued Other Taxes	.86	1.21	.94
Other Accrued Expenses	2.57	1.42	2.65
Other Current Liabilities	3.16	1.77	2.50
Total Current Liabilities	29.03	26.99	32.16
Notes Due Partners/Officers	4.55	2.67	1.35
Mortgage Payable	1.24	1.63	1.77
Long Term Debt	8.55	19.04	9.35
Other Long Term Liabilities	1.66	1.89	4.83
Total Long Term Liabilities	16.01	25.24	17.31
Total Liabilities	45.04	52.23	49.47
Net Worth	54.96	47.77	50.53
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	14.22%	23.35%	10.88%
Active Owner's Return	26.34%	38.26%	23.33%
Current Asset Ratio	2.76x	2.65x	2.30x
Quick Asset Ratio	1.39x	1.34x	1.21x
Total Debt to Tangible Net Worth	81.95%	109.31%	97.90%
Stock Turn Times	5.46x	5.41x	5.19x
Sales to Inventory Ratio	7.19x	7.22x	6.93x
Average Inventory per Square Foot Sales Area	$157.50	$103.12	$59.32
Net Sales to Accounts Receivable	9.64x	9.09x	7.87x
Net Sales to Total Assets	2.81x	2.50x	2.37x
Net Sales to Net Worth	5.11x	5.23x	4.68x
Net Sales to Net Working Capital	5.50x	5.62x	5.66x

Other Operating Data

Credit Sales -- % of Total Gross Sales	79.06%	82.87%	75.53%
Consumer Sales -- % of Total Gross Sales	20.94%	17.13%	24.47%
Selling Area -- Square Feet	1,816	3,924	7,819
Sales Per Square Foot -- Selling Area	$1,132.34	$744.67	$410.90
Total Area -- Square Feet	17,789	21,796	30,611
Sales Per Square Foot -- Total Area	$116.42	$134.44	$103.65
Sales Per Person Employed	$177,201	$192,314	$160,878
Sales Per Customer	$152.13	$90.62	$70.13

Figures may not add to totals indicated due to rounding.

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	68	131	73
Net Sales Volume	$2,573,362	$3,156,823	$2,549,649
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+1.13%	+6.62%	+7.30%
Gross Sales	102.64%	104.53%	103.05%
Less: Total Deductions	2.64	4.53	3.05
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.77	74.78	75.09
Margin Before Purchase Rebate or Patronage Dividend	24.23	25.22	24.91
Purchase Rebate or Patronage Dividend	.13	.15	.20
Margin After Purchase Rebate or Patronage Dividend	24.36	25.37	25.11
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.87	2.73	1.95
Salaries/Wages -- Other Employees	8.29	9.42	9.87
Federal and State Payroll Taxes	.92	.94	.93
Group Insurance	.53	.55	.53
Benefit Plans	.59	.40	.48
Total Payroll and Other Employee Expense	13.18	14.04	13.76
Occupancy Expense			
Heat, Light, Power, Water	.35	.34	.33
Building Repairs and Maintenance	.32	.19	.41
Rent or Ownership in Real Estate**	1.79	1.32	1.27
Total Occupancy Expense	2.46	1.86	2.01
Other Costs of Doing Business			
Advertising and Promotion	.83	.88	1.03
Insurance (Other than Real Estate and Group)	.90	.85	.62
Taxes (Other than Real Estate and Payroll)	.43	.26	.21
Interest (Other than Real Estate)	.99	1.16	.92
Depreciation (Other than Real Estate)	.80	.81	.79
All Other Expenses	4.34	3.61	3.53
Total Other Costs of Doing Business	8.29	7.57	7.11
Total Operating Expenses	23.93	23.47	22.88
Operating Profit or Loss	.42	1.90	2.23
Other Income	1.79	1.33	1.27
Net Operating Profit or Loss (Before Income Taxes)	2.22	3.23	3.50
Financial Performance			
Profit on Investment	10.54%	15.89%	18.56%
Active Owner's Return	24.16%	29.36%	28.89%
Current Asset Ratio	2.58x	2.51x	2.26x
Quick Asset Ratio	1.41x	1.29x	1.08x
Total Debt to Tangible Net Worth	94.76%	102.00%	105.90%
Stock Turn Times	5.50x	5.18x	5.06x
Sales to Inventory Ratio	7.26x	6.93x	6.74x
Average Inventory per Square Foot Sales Area	$66.03	$79.76	$78.05
Net Sales to Accounts Receivable	8.26x	8.30x	9.01x
Net Sales to Total Assets	2.44x	2.44x	2.58x
Net Sales to Net Worth	4.76x	4.93x	5.30x
Net Sales to Net Working Capital	5.30x	5.49x	6.14x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	78.31%	82.40%	69.98%
Consumer Sales -- % of Total Gross Sales	21.69%	17.60%	30.02%
Selling Area -- Square Feet	5,372	5,791	4,812
Sales Per Square Foot -- Selling Area	$480.51	$560.89	$529.15
Total Area -- Square Feet	28,654	$24,656	$23,011
Sales Per Square Foot -- Total Area	$89.24	$133.68	$107.00
Sales Per Person Employed	$170,716	$173,376	$170,208
Sales Per Customer	$101.32	$87.23	$60.49

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Figures may not add to totals indicated due to rounding.

Outlet Location II

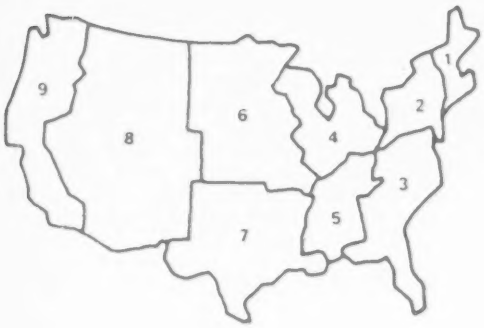
Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Stores	9	138	117
Net Sales Volume	$3,022,586	$2,957,980	$2,701,616
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	-.35%	+5.05%	+6.82%
Gross Sales	103.63%	102.65%	104.97%
Less: Total Deductions	3.63	2.65	4.97
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.20	75.66	74.53
Margin Before Purchase Rebate or Patronage Dividend	24.80	24.34	25.47
Purchase Rebate or Patronage Dividend	.18	.14	.17
Margin After Purchase Rebate or Patronage Dividend	24.98	24.48	25.64
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.51	2.41	2.90
Salaries/Wages -- Other Employees	10.21	8.85	9.40
Federal and State Payroll Taxes	1.02	.92	.94
Group Insurance	.62	.54	.53
Benefit Plans	.64	.49	.42
Total Payroll and Other Employee Expense	14.98	13.20	14.19
Occupancy Expense			
Heat, Light, Power, Water	.37	.32	.36
Building Repairs and Maintenance	.24	.31	.23
Rent or Ownership in Real Estate**	1.30	1.39	1.42
Total Occupancy Expense	1.91	2.02	2.01
Other Costs of Doing Business			
Advertising and Promotion	.92	.86	.88
Insurance (Other than Real Estate and Group)	.83	.75	.90
Taxes (Other than Real Estate and Payroll)	.18	.28	.32
Interest (Other than Real Estate)	1.74	1.06	.98
Depreciation (Other than Real Estate)	.78	.79	.81
All Other Expenses	3.91	4.07	3.38
Total Other Costs of Doing Business	8.37	7.82	7.28
Total Operating Expenses	25.27	23.04	23.48
Operating Profit or Loss	-.29	1.44	2.16
Other Income	1.60	1.31	1.52
Net Operating Profit or Loss (Before Income Taxes)	1.31	2.75	3.68
Financial Performance			
Profit on Investment	8.80%	14.10%	16.81%
Active Owner's Return	25.68%	26.44%	30.07%
Current Asset Ratio	1.95x	2.37x	2.78x
Quick Asset Ratio	.88x	1.25x	1.42x
Total Debt to Tangible Net Worth	154.17%	104.02%	89.12%
Stock Turn Times	4.62x	5.22x	5.33x
Sales to Inventory Ratio	6.15x	6.90x	7.15x
Average Inventory per Square Foot Sales Area	$79.75	$83.53	$70.90
Net Sales to Accounts Receivable	9.38x	8.00x	8.86x
Net Sales to Total Assets	2.65x	2.51x	2.42x
Net Sales to Net Worth	6.73x	5.13x	4.57x
Net Sales to Net Working Capital	7.00x	5.54x	5.34x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	81.13%	78.16%	78.59%
Consumer Sales -- % of Total Gross Sales	18.87%	21.84%	21.41%
Selling Area -- Square Feet	6,165	5,043	5,437
Sales Per Square Foot -- Selling Area	$490.30	$584.81	$511.57
Total Area -- Square Feet	27,519	26,312	23,542
Sales Per Square Foot -- Total Area	$109.84	$111.97	$118.12
Sales Per Person Employed	$155,803	$177,808	$169,764
Sales Per Customer	$83.92	$99.68	$66.73

* As reported to us by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

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Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Stores	17
Net Sales Volume	$3,301,366
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+8.10%
Gross Sales	101.24%
Less: Total Deductions	1.24
Net Sales	100.00%
Cost of Goods Sold	73.13
Margin Before Purchase Rebate or Patronage Dividend	26.87
Purchase Rebate or Patronage Dividend	.14
Margin After Purchase Rebate or Patronage Dividend	27.01
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	3.46
Salaries/Wages -- Other Employees	10.18
Federal and State Payroll Taxes	.97
Group Insurance	.66
Benefit Plans	.65
Total Payroll and Other Employee Expense	15.93
Occupancy Expense	
Heat, Light, Power, Water	.30
Building Repairs and Maintenance	.32
Rent or Ownership in Real Estate**	1.95
Total Occupancy Expense	2.57
Other Costs of Doing Business	
Advertising and Promotion	.98
Insurance (Other than Real Estate and Group)	.48
Taxes (Other than Real Estate and Payroll)	.16
Interest (Other than Real Estate)	.69
Depreciation (Other than Real Estate)	.61
All Other Expenses	3.68
Total Other Costs of Doing Business	6.60
Total Operating Expense	25.09
Operating Profit or Loss	1.92
Other Income	1.51
Net Operating Profit or Loss (Before Income Taxes)	3.42
Financial Performance	
Profit on Investment	13.65%
Active Owner's Return	27.46%
Current Asset Ratio	2.44x
Quick Asset Ratio	1.40x
Total Debt to Tangible Net Worth	72.50%
Stock Turn Times	5.77x
Sales to Inventory Ratio	7.89x
Average Inventory per Sq. Ft. Sales Area	$76.26
Net Sales to Accounts Receivable	8.23x
Net Sales to Total Assets	2.31x
Net Sales to Net Worth	3.99x
Net Sales to Net Working Capital	5.72x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	68.59%
Consumer Sales -- % of Total Gross Sales	31.41%
Selling Area -- Square Feet	5,487
Sales Per Square Foot -- Selling Area	$601.68
Total Area -- Square Feet	20,437
Sales Per Square Foot -- Total Area	$147.52
Sales Per Person Employed	$193,924
Sales Per Customer	$56.71

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
23	50	49	10	58	15	32	26
$4,360,048	$3,130,882	$3,071,277	$2,548,563	$1,873,775	$2,155,126	$2,175,564	$1,551,039
+4.22%	+4.58%	+2.31%	-.32%	+11.58%	+11.77%	+13.78%	+7.61%
106.95%	102.28%	103.73%	106.78%	101.60%	103.22%	101.96%	105.05%
6.95	2.28	3.73	6.78	1.60	3.22	1.96	5.05
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
74.16	76.39	75.96	76.67	76.16	76.46	72.90	71.83
25.84	23.61	24.14	23.33	23.84	23.54	27.10	28.17
.04	.05	.27	.28	.20	.05	.18	.28
25.88	23.66	24.41	23.61	24.04	23.59	27.28	28.44
2.18	3.12	2.39	2.07	2.71	2.67	2.70	3.17
9.35	8.18	8.73	10.44	9.50	9.00	9.60	9.96
.82	.90	.98	.89	.94	.93	1.10	1.19
.63	.37	.58	.72	.33	.43	.53	.68
.42	.36	.62	.45	.34	.15	.44	.47
13.40	12.93	13.30	14.57	13.83	13.19	14.37	15.47
.28	.34	.40	.30	.30	.38	.33	.42
.25	.34	.26	.15	.15	.12	.13	.53
1.09	1.23	1.31	.95	1.71	1.36	2.28	2.60
1.61	1.91	1.97	1.40	2.16	1.86	2.74	3.54
.85	.75	1.09	.52	.88	.67	.88	1.04
.94	.88	.73	.87	.87	1.12	.87	1.01
.25	.28	.38	.38	.12	.32	.44	.28
1.31	.74	1.20	1.32	1.09	1.41	.67	1.08
.85	.96	.78	1.00	.67	.65	.94	.78
3.30	3.45	4.17	4.64	2.91	4.77	3.78	3.78
7.52	7.06	8.35	8.74	6.54	8.95	7.59	7.97
22.53	21.90	23.61	24.70	22.53	23.99	24.70	26.98
3.35	1.75	.79	-1.10	1.51	-.41	2.58	1.47
1.13	1.11	1.51	1.99	1.46	1.68	2.06	1.96
4.48	2.87	2.31	.90	2.97	1.27	4.64	3.43
23.38%	12.89%	13.14%	4.39%	13.52%	7.33%	19.40%	20.93%
34.76%	26.94%	26.78%	14.53%	25.85%	22.70%	30.71%	40.32%
2.60x	2.84x	2.04x	2.48x	2.55x	2.85x	2.40x	3.38x
1.34x	1.49x	1.05x	1.28x	1.29x	1.37x	1.21x	1.56x
113.76%	72.66%	120.68%	79.71%	104.67%	172.63%	75.55%	117.51%
5.24x	5.67x	5.39x	5.37x	4.73x	4.11x	5.92x	4.42x
7.07x	7.42x	7.10x	7.01x	6.22x	5.37x	8.12x	6.16x
$129.46	$75.31	$65.20	$75.40	$61.50	$75.20	$43.18	$81.46
8.41x	8.50x	8.21x	9.22x	7.76x	7.18x	10.20x	10.84x
2.44x	2.61x	2.58x	2.73x	2.22x	2.11x	2.38x	2.81x
5.22x	4.50x	5.70x	4.90x	4.55x	5.75x	4.18x	6.10x
5.38x	5.42x	6.70x	5.67x	4.67x	4.18x	6.57x	4.67x
80.93%	85.69%	74.24%	90.70%	79.21%	84.37%	71.67%	66.08%
19.07%	14.31%	25.76%	9.30%	20.79%	15.63%	28.33%	33.92%
4,763	5,605	6,673	4,907	4,872	5,382	6,195	3,092
$915.36	$558.59	$484.58	$537.73	$380.51	$402.37	$350.67	$501.57
26,337	22,322	35,510	27,254	29,269	26,100	12,064	9,704
$176.58	$142.18	$89.37	$96.82	$64.44	$82.98	$185.39	$159.84
$208,583	$169,618	$175,657	$145,114	$163,484	$138,544	$153,015	$150,672
$142.15	$171.47	$69.73	$132.40	$148.25	$83.17	$48.84	$36.10

Trade Area Size

Income Statement Data	M.S.A.[1] Central City	M.S.A.[1] Suburban	Cities 10,000 - 50,000	Towns Under 10,000
Number of Stores	52	17	50	162
Net Sales Volume	$4,101,240	$2,907,404	$2,896,052	$2,626,361
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+5.01%	+1.31%	+2.10%	+7.76%
Gross Sales	101.63%	104.76%	103.17%	104.73%
Less: Total Deductions	1.63	4.76	3.17	4.73
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	76.45	73.26	75.70	74.59
Margin Before Purchase Rebate or Patronage Dividend	23.55	26.74	24.30	25.41
Purchase Rebate or Patronage Dividend	.05	.05	.16	.18
Margin After Purchase Rebate or Patronage Dividend	23.60	26.79	24.46	25.59
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	2.40	4.68	3.17	2.26
Salaries/Wages -- Other Employees	8.60	8.47	8.42	9.84
Federal and State Payroll Taxes	.98	.99	.84	.98
Group Insurance	.44	.71	.45	.61
Benefit Plans	.83	.09	.49	.38
Total Payroll and Other Employee Expense	13.25	14.93	13.37	14.07
Occupancy Expense				
Heat, Light, Power, Water	.35	.36	.33	.33
Building Repairs and Maintenance	.27	.25	.19	.31
Rent or Ownership in Real Estate**	1.02	1.92	1.57	1.41
Total Occupancy Expense	1.64	2.52	2.09	2.06
Other Costs of Doing Business				
Advertising and Promotion	.72	1.93	.85	.86
Insurance (Other than Real Estate and Group)	.82	.83	.75	.88
Taxes (Other than Real Estate and Payroll)	.25	.46	.37	.24
Interest (Other than Real Estate)	1.49	.72	.88	1.09
Depreciation (Other than Real Estate)	.81	.91	.78	.82
All Other Expenses	4.40	3.53	3.79	3.56
Total Other Costs of Doing Business	8.49	8.38	7.42	7.45
Total Operating Expenses	23.38	25.83	22.89	23.58
Operating Profit or Loss	.22	.96	1.57	2.01
Other Income	1.22	1.55	1.66	1.36
Net Operating Profit or Loss (Before Income Taxes)	1.44	2.51	3.23	3.37
Financial Performance				
Profit on Investment	9.01%	11.10%	15.26%	16.28%
Active Owner's Return	24.02%	31.77%	30.22%	27.22%
Current Asset Ratio	1.77x	3.73x	2.56x	2.70x
Quick Asset Ratio	.99x	1.63x	1.36x	1.35x
Total Debt to Tangible Net Worth	148.14%	52.82%	88.36%	100.73%
Stock Turn Times	5.39x	4.92x	5.69x	5.05x
Sales to Inventory Ratio	7.05x	6.72x	7.52x	6.76x
Average Inventory per Square Foot Sales Area	$91.01	$66.75	$67.33	$78.50
Net Sales to Accounts Receivable	6.55x	12.87x	8.65x	8.71x
Net Sales to Total Assets	2.52x	2.89x	2.51x	2.41x
Net Sales to Net Worth	6.25x	4.42x	4.72x	4.83x
Net Sales to Net Working Capital	7.08x	5.11x	5.71x	5.20x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	87.34%	71.33%	80.66%	76.72%
Consumer Sales -- % of Total Gross Sales	12.66%	28.67%	19.34%	23.28%
Selling Area -- Square Feet	6,394	6,480	5,675	4,952
Sales Per Square Foot -- Selling Area	$641.44	$448.67	$525.58	$533.44
Total Area -- Square Feet	39,218	25,713	24,755	22,962
Sales Per Square Foot -- Total Area	$104.53	$124.26	$120.19	$114.86
Sales Per Person Employed	$172,080	$133,367	$178,644	$176,548
Sales Per Customer	$460.87	$53.82	$77.31	$86.09

* As reported to us by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

[1] Metropolitan Statistical Area

Figures may not add to totals indicated due to rounding.

Number of Outlets

Income Statement Data	Single Store Outlet	Multiple Store Outlet
Number of Stores	147	135
Net Sales Volume	$2,717,419	$2,215,903
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+4.79%	+6.51%
Gross Sales	102.58%	106.90%
Less: Total Deductions	2.58	6.90
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.18	74.85
Margin Before Purchase Rebate or Patronage Dividend	24.82	25.15
Purchase Rebate or Patronage Dividend	.20	.04
Margin After Purchase Rebate or Patronage Dividend	25.02	25.19
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.84	2.13
Salaries/Wages -- Other Employees	8.99	9.83
Federal and State Payroll Taxes	.94	.94
Group Insurance	.51	.61
Benefit Plans	.47	.46
Total Payroll and Other Employee Expense	13.74	13.98
Occupancy Expense		
Heat, Light, Power, Water	.36	.30
Building Repairs and Maintenance	.28	.23
Rent or Ownership in Real Estate**	1.64	.89
Total Occupancy Expense	2.27	1.42
Other Costs of Doing Business		
Advertising and Promotion	.97	.67
Insurance (Other than Real Estate and Group)	.83	.82
Taxes (Other than Real Estate and Payroll)	.31	.25
Interest (Other than Real Estate)	.99	1.28
Depreciation (Other than Real Estate)	.85	.71
All Other Expenses	3.78	3.71
Total Other Costs of Doing Business	7.72	7.44
Total Operating Expenses	23.73	22.83
Operating Profit or Loss	1.28	2.35
Other Income	1.46	1.36
Net Operating Profit or Loss (Before Income Taxes)	2.74	3.71
Financial Performance		
Profit on Investment	13.79%	17.46%
Active Owner's Return	28.06%	27.47%
Current Asset Ratio	2.45x	2.60x
Quick Asset Ratio	1.27x	1.32x
Total Debt to Tangible Net Worth	99.09%	101.27%
Stock Turn Times	5.30x	5.09x
Sales to Inventory Ratio	7.05x	6.79x
Average Inventory per Square Foot Sales Area	$69.48	$103.04
Net Sales to Accounts Receivable	8.79x	7.64x
Net Sales to Total Assets	2.52x	2.34x
Net Sales to Net Worth	5.02x	4.70x
Net Sales to Net Working Capital	5.66x	5.25x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	74.60%	85.58%
Consumer Sales -- % of Total Gross Sales	25.40%	14.42%
Selling Area -- Square Feet	5,568	4,669
Sales Per Square Foot -- Selling Area	$492.95	$715.00
Total Area -- Square Feet	25,547	23,173
Sales Per Square Foot -- Total Area	$106.90	$143.98
Sales Per Person Employed	$165,070	$193,610
Sales Per Customer	$66.40	$183.54

* As reported to us by Profit Report contributors

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Figures may not add to totals indicated due to rounding.

Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	131	151
Net Sales Volume	$3,602,240	$1,439,189
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+4.98%	+7.14%
Gross Sales	104.12%	102.13%
Less: Total Deductions	4.12	2.13
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.40	73.42
Margin Before Purchase Rebate or Patronage Dividend	24.60	26.58
Purchase Rebate or Patronage Dividend	.09	.44
Margin After Purchase Rebate or Patronage Dividend	24.70	27.02
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.63	2.79
Salaries/Wages -- Other Employees	9.08	9.82
Federal and State Payroll Taxes	.93	.99
Group Insurance	.54	.53
Benefit Plans	.48	.39
Total Payroll and Other Employee Expense	13.66	14.52
Occupancy Expense		
Heat, Light, Power, Water	.31	.47
Building Repairs and Maintenance	.26	.29
Rent or Ownership in Real Estate**	1.30	2.06
Total Occupancy Expense	1.88	2.82
Other Costs of Doing Business		
Advertising and Promotion	.82	1.24
Insurance (Other than Real Estate and Group)	.83	.80
Taxes (Other than Real Estate and Payroll)	.27	.37
Interest (Other than Real Estate)	1.09	.96
Depreciation (Other than Real Estate)	.80	.86
All Other Expenses	3.77	3.65
Total Other Costs of Doing Business	7.57	7.88
Total Operating Expenses	23.11	25.22
Operating Profit or Loss	1.59	1.80
Other Income	1.35	1.80
Net Operating Profit or Loss (Before Income Taxes)	2.94	3.60

Financial Performance

Profit on Investment	15.33%	13.93%
Active Owner's Return	29.05%	24.72%
Current Asset Ratio	2.36x	3.18x
Quick Asset Ratio	1.27x	1.35x
Total Debt to Tangible Net Worth	106.34%	74.26%
Stock Turn Times	5.63x	3.92x
Sales to Inventory Ratio	7.47x	5.34x
Average Inventory per Square Foot Sales Area	$89.72	$51.29
Net Sales to Accounts Receivable	7.95x	11.99x
Net Sales to Total Assets	2.53x	2.22x
Net Sales to Net Worth	5.21x	3.87x
Net Sales to Net Working Capital	5.87x	4.44x

Other Operating Data

Credit Sales -- % of Total Gross Sales	82.59%	56.56%
Consumer Sales -- % of Total Gross Sales	17.41%	43.44%
Selling Area -- Square Feet	5,444	5,241
Sales Per Square Foot -- Selling Area	$680.01	$274.41
Total Area -- Square Feet	27,442	20,676
Sales Per Square Foot -- Total Area	$135.28	$67.86
Sales Per Person Employed	$182,215	$138,474
Sales Per Customer	$153.29	$24.35

* As reported to us by Profit Report contributors

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Figures may not add to totals indicated due to rounding.

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Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other lumber outlets which also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Lumber/ Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0} = 13.6\%$
Hand Tools	$\frac{10.0}{110.0} = 9.1\%$
Paint & Home Decorating	$\frac{20.0}{110.0} = 18.2\%$
Lumber/Building Materials	$\frac{65.0}{110.0} = 59.1\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/ Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.91 which means $1.91 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	8.5	23.0	9.8	163.08	8.2	21.0	9.1
Hand Tools	93.2	2.8	9.5	3.7	144.01	2.5	8.3	3.2
Power Tools & Accessories	85.6	2.7	5.6	3.6	169.82	2.1	4.5	2.7
Plumbing, Heating & Cooling	75.3	5.3	13.7	7.2	148.83	3.6	9.0	4.3
Electrical Supplies	81.5	3.2	8.7	3.4	137.01	2.3	5.7	2.4
Paint & Home Decorating	90.4	7.2	17.8	9.9	204.00	6.2	13.9	7.9
Lumber	100.0	36.4	9.2	32.8	997.80	35.6	8.9	32.8
Building Materials	100.0	33.0	19.3	31.8	775.08	32.0	18.7	31.2
Lawn & Garden	58.2	3.4	7.1	3.2	198.24	1.7	3.9	1.5
Housewares	22.1	1.9	3.3	4.1	121.38	.4	.7	.7
Automotive Supplies	20.8	1.2	2.4	2.1	130.66	.2	.6	.4
Major Appliances & Home Entertainment	11.8	1.8	.3	3.4	136.23	.2	.6	.2
Sporting Goods & Outdoor Living	12.5	2.1	2.5	3.4	148.29	.3	.3	.3
Miscellaneous Goods	58.0	8.0	6.9	5.9	473.71	4.6	3.9	3.2
					Total	100.0 %	100.0 %	100.0 %

* Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	39.8	5.6	2.22
Hand Tools	35.3	5.3	1.95
Power Tools & Accessories	29.7	3.7	.99
Plumbing, Heating & Cooling	37.0	5.4	2.12
Electrical Supplies	38.2	5.2	2.02
Paint & Home Decorating	37.3	5.1	1.89
Lumber	25.0	7.9	2.01
Building Materials	26.4	8.1	2.17
Lawn & Garden	34.2	5.7	1.91
Housewares	31.8	3.5	1.24
Automotive Supplies	32.4	6.8	2.48
Major Appliances & Home Entertainment	24.0	1.7	.54
Sporting Goods & Outdoor Living	28.0	6.4	2.08
Miscellaneous Goods	31.1	6.3	1.90

Notes

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries -- Owners, Officers, Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insure employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

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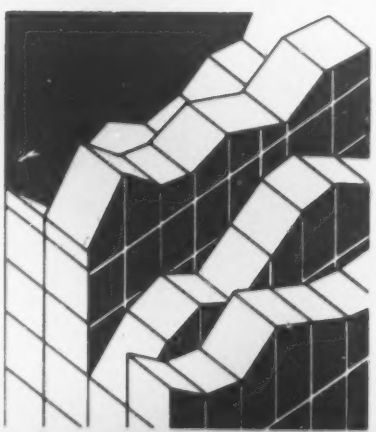

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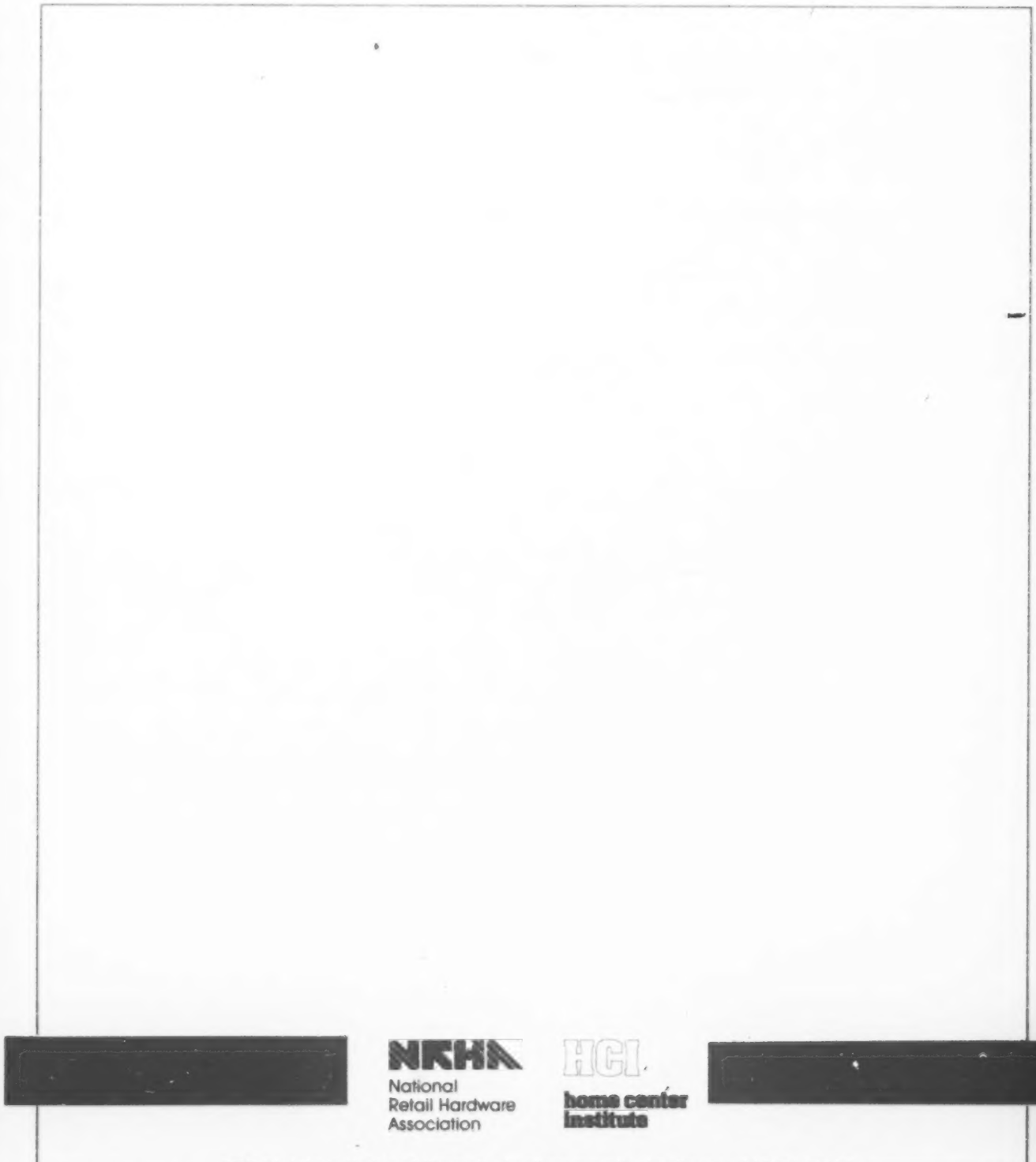

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